




Office of the Comptroller

Milwaukee County

Scott B. Manske • Comptroller

DATE: July 13, 2020

TO: Supervisor Marcelia Nicholson, Chairwoman, County Board of Supervisors

FROM: Cynthia (CJ) Pahl, Financial Services Manager 

SUBJECT: Comptroller's Review of Proposed Ordinance Amendments to the Milwaukee County Employees' Retirement System

The Comptroller's Office has reviewed the proposed ordinance amendments relating to the Milwaukee County Employees' Retirement System and based on information provided by the actuary and by RPS, this office concurs that there is no fiscal impact to the County from the proposed ordinance amendments.

Section 1 – MCGO 201.24(4.5) and (3.5):

The proposed amendment would:

- Allow members who previously commenced deferred vested benefits to retain those benefits.
- Allow RPS to commence deferred vested benefits for the Autovested Members who, but for the vesting requirements in this section, who would have been eligible for a benefit. This benefit will be prospective only.
- Clarify the prior treatment of Autovested Members by allowing a member whose pension benefit amount is below \$100 per month to elect to receive a refund of his or her contributions instead of receiving a monthly pension benefit. Autovested Members who retire after June 1, 2020 may also make this election if the election is made in accordance with MCGO 201.24(3.11).

Fiscal Impact:

RPS has indicated that the changes to ordinance conform ordinance to current operations, including how these members are reported for actuarial valuation. Since these changes do not result in how these members were previously reported for valuation purposes, there is no calculable fiscal impact on the actuarial valuation or on the County's contribution. Further, allowing Autovested Members the option to elect between a refund of his or her contributions instead of a monthly pension benefit going forward would not have an impact on the current actuarial valuation and therefore, no direct financial impact on the County.

Section 1 – MCGO 201.24(3.5)

The proposed amendment would:

- Allow payment of interest on a member's Membership Account through the date of disbursement, not the date of the member's death or termination.
- Eliminate the requirement that RPS track annuity payments paid to beneficiaries in order to pay any excess of the membership Account after the annuity payments are completed.

Fiscal Impact:

This amendment would correspond with current practice, and therefore, would correct for any cases that would otherwise be considered overpayments or underpayments. Although this change may result in additional interest to be paid on a disbursement of the member's Membership Account than is otherwise allowed under current ordinance, this amount is negligible and would have no calculable fiscal impact on the actuarial valuation or on the County's contribution. Similarly, although elimination of the refund component for joint and survivor annuity beneficiaries may result in less being paid on the final disbursement of the member's Membership Account as directed under current ordinance, the amount is negligible and would have no fiscal impact on the actuarial valuation or on the County's contribution.

Section 2 – MCGO 201.24(5.16)

The proposed amendment would:

- Allow a surviving spouse who was eligible for and receiving a Protective Survivorship Option (PSO) pension to elect a backdrop if the backdrop was elected by the surviving spouse between January 1, 2002 and December 31, 2004.

Fiscal Impact:

This amendment would correct for any cases that would otherwise be considered an overpayment. It only corrects for surviving spouses that were eligible for and receiving the PSO benefit. It does not allow future surviving spouses to elect a backdrop at the time they receive the PSO. Since this proposed change conforms to how these cases have been reported for valuation purposes, there is no calculable fiscal impact on the actuarial valuation or on the County's contribution.

Section 3 – MCGO 201.24(7.1)

The proposed amendment would:

- Allow an eligible member to elect a PSO in the form of a 50% joint and survivor annuity, which may be required if a member elects a non-spouse PSO beneficiary that would violate the minimum distribution incidental benefit (MDIB) rules if the benefit was paid in a 100% joint and survivor annuity.

- Prohibit a member from electing a joint and survivor annuity that will exceed the MDIB and allow RPS to reduce the elected benefit to the next survivor benefit option if the one selected does not comply with the MDIB.

Fiscal Impact:

RPS has indicated that the changes to ordinance would not have any impact on members currently receiving pensions. Therefore, since this change does not result in how any members have been previously reported for valuation purposes, there is no calculable fiscal impact on the actuarial valuation or on the County's contribution.

Section 4 – MCGO 201.24(11.11)

The proposed amendment would:

- Allow a member to complete a buy-back using amounts rolled over from a 401(k) plan if the buy-back was completed between August 1, 1994 and November 1, 1994.

Fiscal Impact:

The member who would be impacted by this ordinance change is currently reported for valuation purposes as though he was eligible for the buy-back using his 401(k) funds. Therefore, approval of this amendment would result in no calculable fiscal impact on the actuarial valuation or on the County's contribution. Likewise, if this amendment is not approved, the difference in the member's benefit would be negligible, and would result in no calculable fiscal impact on the actuarial valuation or on the County's contribution.